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Strategic Sourcing: Gaining Efficiencies in Supplier Performance

Janice Mathews
Director, Space and Airborne Systems
Supplier Quality
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Agenda

■ Burning Platform

- Mandated affordability requirements
- Decreasing defense budgets

■ Strategic Enterprise Aligned Commodities (SEAC) Initiative

- Raytheon enterprise sourcing and identification of preferred suppliers

■ Customer Success

- Supplier focused partnership
- Strategic sourcing benefits

Burning Platform

- Our customers are the men and women in uniform and U.S. government agencies
- Mission success demands that we meet our commitments
 - Flawless execution is a constant
 - Speed and agility are imperative
 - Compliance is critical to our credibility
- Reduced military spending requires greater efficiency across the entire value stream



**“Industry needs to do more without more.” – Ashton Carter,
Undersecretary of Defense for Acquisition, Technology and Logistics**

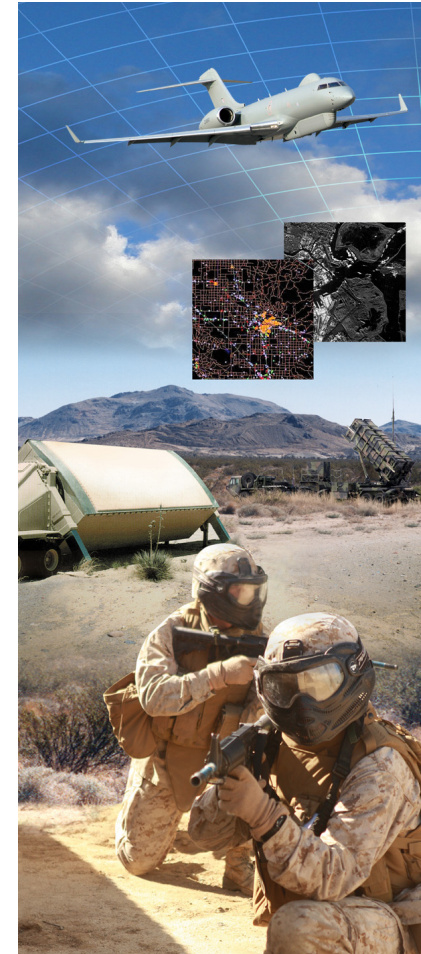
Burning Platform (Cont'd)

- Why is strategic sourcing so important?
 - We have too many direct Raytheon suppliers to manage effectively — more than 11,000
 - Enables us to leverage top resources throughout the enterprise
 - Improves speed and efficiency



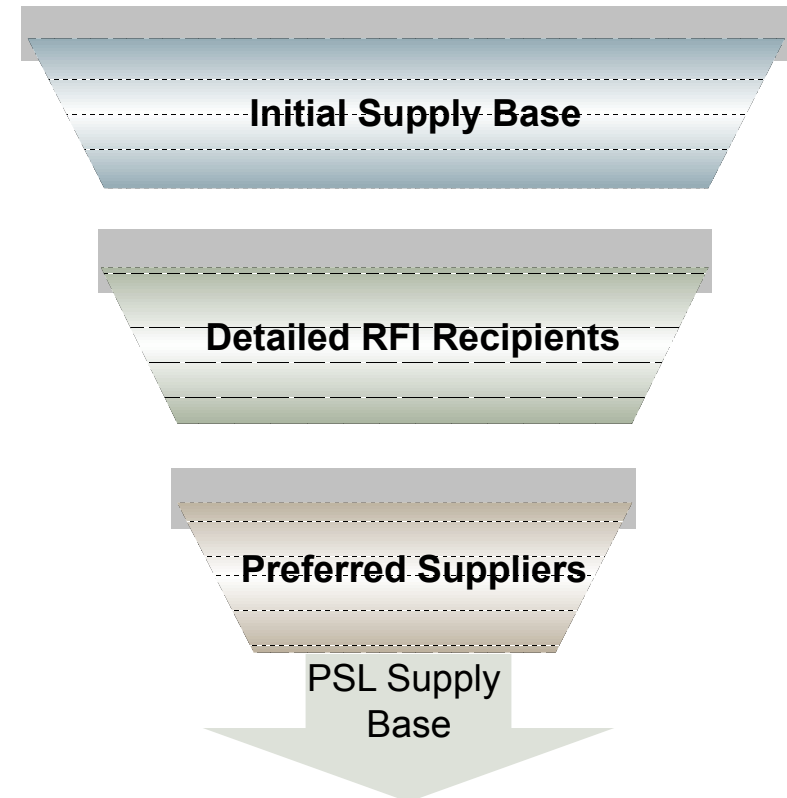
What Is SEAC?

- SEAC – Strategic Enterprise Aligned Commodities
 - Standard commodity management process used across Raytheon
 - Cross-functional and Raytheon cross-business teams
 - Standard templates
 - Single access repository for commodity strategies
 - Enterprisewide preferred supplier lists by commodity area



SEAC Process

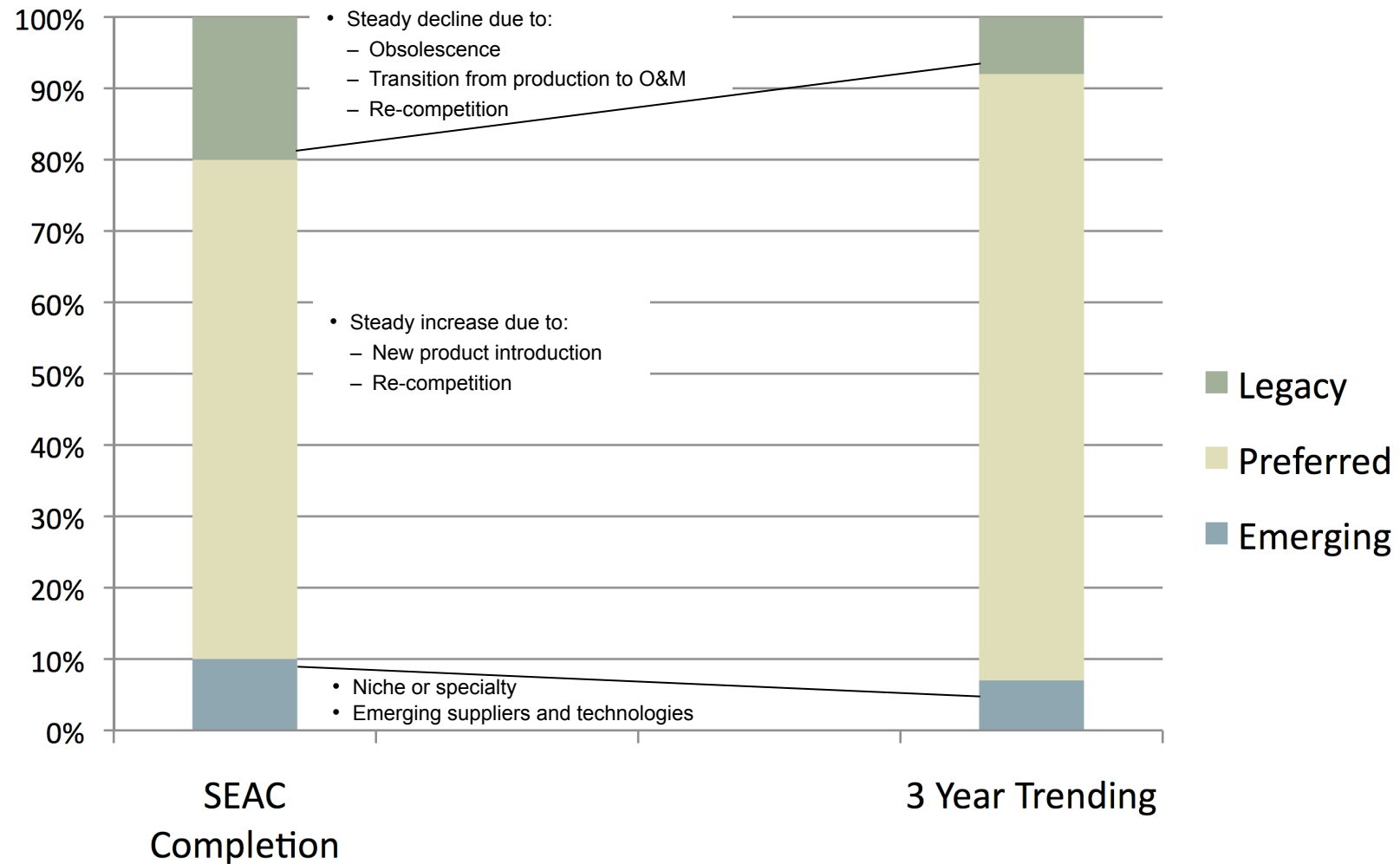
- Evaluate each commodity and existing supply base
 - Collect and analyze data
 - Define Raytheon's technical requirements
- Submit a detailed RFI to supply base and evaluate data from responses
- Define preferred suppliers
 - Suppliers for sourcing new products
 - Fewer suppliers allows us to focus resources on performance
- Raytheon's PSL supplier expectations
 - Improved cost, quality, delivery and service
 - Superior proposal support: prompt and complete
 - Leveraging of supplier core capabilities
 - Reduced cycle time and improved material availability
 - Supplier technology roadmap visibility
 - Quick-turn development support
 - Early engagement for improved manufacturability
 - Collaborative test strategies
 - Shared investment and risk



SEAC process results in a leaner, higher-performing supply base

Preferred Suppliers Gain a Steady Increase in Share of Spend

Expected Shift (percent of annual spend, notional %)



Supplier Focus Drives Customer Success



- Meet our commitments
- Seek every opportunity to proactively work with high-performing suppliers to meet customer needs
- Develop and provide high-value solutions for customers
- Build value through collaborative supplier relationships

Effective supplier management supports customer success

Strategic Sourcing Benefits

- Pilot Program
 - More than 80 percent reduction in supplier base, yielding:
 - Improved supplier management
 - Better supplier quality and delivery
 - Improved supplier collaboration on technology roadmaps
 - Support for early design engagements
 - Increased growth for our business
 - Stable or improved supplier diversity participation



Successful pilot program proved business value

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Strategic Sourcing: Why It's Ultimately So Important

Getting it right supports mission safety and success for the men and women who serve.

